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September 12, 2012

Alison McLaurin Matthews, M.D.  
13700 Shaker Boulevard #210  
Cleveland, OH 44120

Re: *Memorandum of Understanding*

Dear Dr. Matthews:

This letter will serve as a *Memorandum of Understanding* for your individual full-time employment by University Hospitals Medical Practices ("UHMP") beginning on December 1, 2012. In this position, you will practice Pediatrics at Ashtabula Pediatrics, 1527 W. 19<sup>th</sup> Street, Ashtabula, Ohio 44004.

You will be credentialed at Rainbow Babies & Children's Hospital. The contract to be presented to you will be for a five (5) year period, automatically renewable at that time.

The key terms of your employment contract will be as follows:

1. **Base Salary Years 1 - 3:** The base salary shall be guaranteed for three years (3) at One Hundred Fifty Thousand Dollars (\$150,000), plus the benefits package of UHMP.
2. **Productivity Bonus Years 1 - 3:** At the end of the calendar year for the first three (3) years, you will be paid 100% of any excess revenue over expenses including your salary and benefits. You will receive monthly financial statements and have full access to all relevant financial data.
3. **Base Salary Draw Year 4 - Onward:** You will receive a Base Salary Draw by mutual agreement based on the experience in the prior year. On an annual basis the base salary draw will be recalculated based on 90% of net revenue minus expenses using our standard accrual accounting methodology.
4. **Productivity Bonus Year 4 - Onward:** This is paid quarterly. Specifically, the Quarterly Bonus will be 100% of your Net Revenue, less your share of practice expenses,

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your monthly salary plus benefits, and the management fee of five percent (5%). This formula will always be similar to other Pediatric physicians in UHMP. If, at the end of any quarter, the quarterly bonus is greater than zero, then one hundred percent (100%) of the quarterly bonus shall be paid to the physician.

If at the end of any quarter, the quarterly bonus is less than zero (a loss); such negative amount will be carried forward to the next quarter. If a loss occurs in the last quarter of the year, such loss shall be carried forward to the next year.

5. **Signing Bonus:** You will receive a signing bonus of Fifty Thousand Dollars (\$50,000) 45 days after your effective date. This amount is contingent on you remaining employed with UHMP for three (3) full years or is repayable within 30 days of your termination at a prorated amount.
6. **Retention Bonus:** At the start of year four (4), you will receive a retention bonus of Twenty-Five Thousand Dollars (\$25,000) provided you remain employed with UHMP for the remainder of your contract, two (2) full years, or the prorated amount will be repaid within 30 days of your termination.
7. **Benefits:** You will be eligible for the standard benefits package of UHMP, which you will receive under separate cover. This will include an Excess Benefit Plan which allows deferral of up to 90% of your compensation prior to tax in investment vehicles directed by you.
8. **Malpractice Insurance:** You will be eligible for participation in the malpractice plan provided by UHMP.
9. **Tail Coverage:** You will be eligible for tail coverage purchased by UHMP in the event of death, disability, permanent retirement from the practice of medicine after the age of 55 and after spending at least five (5) years with UHMP, or termination of your employment contract by UHMP without cause. You agree to participate in UH Risk Management initiatives, and also to meet any clinical guidelines established by UHMP physicians. UHMP will either purchase tail on your current policy or retroactively cover you with the new policy. Payment by University Hospitals of an incoming physician's tail insurance premium related to service at his/her previous employer is considered taxable wages.
10. **Non-Competition:** For the duration of the contract and for one (1) year thereafter there will be a 15-mile non-compete provision. This will prohibit you from practicing within 15 miles of your office location as an employee of a competing health system, should you terminate without cause or be terminated for cause. These terms will be defined in a formal contract. You will also be prohibited from receiving practice management services from a competing health system.

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11. **e-Prescribing and Electronic Medical Record:** We will make available to you an e-Prescribing and electronic medical record system similar to those provided to other UHMP physicians.
12. **Announcements, Marketing:** UHMP agrees to bear the cost of informing patients of the affiliation with UHMP.
13. **Non-Smoking Employer:** University Hospitals is committed to the health and wellness of our employees, our patients and our community. As part of these efforts, we will only hire candidates that do not use tobacco products. Your employment is contingent upon confirming your non-tobacco use and satisfactory completion, as determined in University Hospitals' sole discretion, of a pre-employment health assessment and drug screening, which will include testing for tobacco use. A copy of University Hospitals' non-smoking policy will be made available to you upon request.


You expressly understand that this does not constitute a final agreement to consummate this transaction. We have agreed in good faith to work toward a final agreement and suspend other negotiations for a period of four (4) weeks to finalize the contract terms. Should it occur that either of us wishes to cease working toward the transaction, we shall tell the other as soon as possible.

These terms and offer are open to acceptance for ten (10) business days unless agreed upon mutually by the respective parties.

If these general principles meet with your approval, please sign a copy of this *Memorandum of Understanding* and fax it to our office at 216-383-6738 to expedite the preparation of the contract.

Alison, we look forward to a long association between you, UHMP and University Hospitals. I am confident that this will be a mutually gratifying and successful relationship.

Best wishes,



Michael L. Nochomovitz, M.D.  
President  
University Hospitals Physician Services

Signed:

  
Alison McLaurin Matthews, M.D.

Date: 9/21/12

cc: Paul Kostyack, Esq.  
Mary Ann Kocurko